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SUBJECT: EMPLOYERS' VIEW OF WAGES AND ECONOMY

¶1. (SBU) Summary: On 22 July 2004, EconOff discussed wage negotiations and economic recovery with Mr. J. Mufukare of the Employers' Confederation of Zimbabwe (EMCOZ). Mufukare also related some interesting information about price controls and the Zimbabweans' character. Business is poor with no sign of either a recovery or mass action for change. End summary.

¶2. (SBU) Mufukare stated that only 3 of the 45 wage negotiation councils have reached quarterly wage agreements. The rest are negotiating or deadlocked awaiting arbitration. The new resultant wages range Z\$450,000-Z\$680,000/month (US\$84.91-US\$128.30). The negotiations are difficult but amicable as labor recognizes business's low costs needs and business recognizes labor's higher wages needs.

¶3. (SBU) With most sectors performing very poorly, Mufukare saw no signs of an economic recovery. Mining is able to break even because of stable global gold, nickel, and platinum prices. But, rising labor costs and difficulty in securing foreign exchange are tightening their belts as well. Labor costs and lack of market elasticity has also hurt security guard firms. Business generally applauds Reserve Bank Governor Gideon Gono but insist that fiscal policy must fall in line too. The controlled exchange rate (especially the Z\$824/US\$1 figure for exporters) and lack of foreign exchange access are strangling business. Many businesses purchase high-priced items just to preserve their money's value.

¶4. (SBU) Business worries that President Mugabe's renewed emphasis on "economic empowerment" may signal coming indigenization of manufacturing companies, possibly with commerce not too far behind. Despite prior pronouncement without action, business fears GOZ will act this time.

¶5. (SBU) Mufukare also informed EconOff that GOZ gazetted the price of a 10 kg bag of maize at Z\$12,000 (US\$2.26), below the Z\$20,000 (US\$3.77) market price. This marks the return of price controls, although businesses are ignoring it and GOZ is not enforcing it. GOZ may use the regulation to selectively prosecute and takeover businesses that violate the new regulation. As with any below market price control scheme, scarcity and skyrocketing black market prices will result.

¶6. (SBU) Mufukare discussed the reasons for Zimbabweans' complacency. He described Zimbabweans as gambler-esque: I lost the last hand, but I might have better luck next time. This reasoning allows Zanu-PF to repeatedly offer land or businesses to the masses and then only give it to the privileged few. Zimbabweans also owe their first allegiance to themselves and their families. Zanu-PF is ruthlessly exploiting these characteristics with a game of divide and conquer: give a few people something and they will protect it against all others even to their own eventual ruin and those who do not have anything will support you in the hopes that they will one day be lucky.

¶7. (SBU) COMMENT: Labor and employers agree: GOZ is the problem. Despite difficult wage negotiations, both labor and business stress their amicable nature. This reflects the need for political reform prior to sustainable economic recovery. With new price controls, people may yet again experience food shortages and exorbitant prices. GOZ cannot countenance the idea of allowing market forces to work- the desire for complete control is just too strong.

¶8. (SBU) COMMENT (CONT'D): It is surprising to hear a Zimbabwean describe his own people as selfish and gambler-esque. This could explain the lack of public outcry over the drastic economic decline. It also suggests that the vast majority will not say enough is enough until they literally have nothing, including hope.

SULLIVAN